

OFFICE OF PUBLIC INSTRUCTION
CERTIFICATION AND REQUEST FOR AUTHORIZED
INDIRECT COST RATE

Instructions

INDIRECT COST PROPOSALS

The Office of Public Instruction has, in cooperation with the U.S. Department of Education, developed an indirect cost plan to be used by local education agencies (LEA's) in Montana. The Office of Public Instruction has been delegated the authority by the U.S. Department of Education to review indirect cost proposals and to approve indirect cost rates for LEA's.

An indirect cost rate is a means of determining, in a reasonable manner, the percentage of allowable general administrative expense that each Federal grant should bear. Generally, an indirect cost rate is the ratio of total indirect costs to total direct and unallowable costs, exclusive of any extraordinary or distorting expenditures such as capital outlay and debt service. An indirect cost rate does not increase the grant. It allows a portion of the total grant to reimburse the school district for indirect costs such as accounting, payroll, personnel, etc. Expenditures for the second preceding fiscal year are used when completing the indirect cost proposal for a given fiscal year. For example, expenditures for FY 2003-04 will be used to complete the Indirect Cost Proposal for FY 2005-2006. In order to adjust for the use of prior years' expenditures, Montana will calculate restricted indirect cost rates using a fixed rate with a carry forward provision.

Applications for grants usually involve a request for reimbursement of both direct and indirect costs. OMB Circular A-87 contains provisions for determining indirect cost rates for grantees and subgrantees of Federal grants. LEA's are not required to develop an indirect cost proposal. However, to recover any indirect costs for the administration of federal grants, a LEA must have an approved indirect cost rate.

The sources of information used to develop an indirect cost rate are the LEA's official annual Trustees' Financial Summary and the detail accounts that make up that report. It is essential school districts classify expenditures uniformly and consistently in accordance with the Montana School Accounting Manual. The Office of Public Instruction will prepare a "preliminary restricted indirect cost rate" for school districts requesting an indirect cost rate. School districts may use this rate or submit an adjusted rate for OPI approval as discussed later in these instructions. Generally, records and documentation supporting the indirect cost proposal must be retained for a period of three years from the date of submission to the Office of Public Instruction. If audit exceptions have been noted, records must be retained until those exceptions have been resolved.

DEFINITIONS

1. Indirect Costs

Indirect costs are those costs of a general nature which are not readily identifiable with the activities of the grant but are, nevertheless, incurred for the joint benefit of those activities and other activities or programs of the organization.

As prescribed by OMB Circular A-87, indirect costs are costs which meet the following criteria:

- a. Incurred for a common or joint purpose benefiting more than one cost objective.
- b. Not readily assignable to the cost objectives specifically benefited.

Administrative indirect costs consist of the salaries and other expenses, other than the superintendent's office (see exception on page 3), which benefit the **entire** LEA. Those activities that are limited to one school, subject, or phase of operation, are not indirect costs.

DEFINITIONS-continued

1. Indirect Costs-continued

Salaries and expenses for accounting, budgeting, payroll, personnel management, purchasing, employee relations, labor negotiation contracts, mailrooms, word processing pools, computer networks, or data processing operations are examples of costs which typically benefit several activities and programs. These types of costs may be allocated to federal programs by means of an indirect cost rate. In theory, all such costs can be charged directly. However, using an indirect cost rate is often more efficient and practical. Federal regulations allow auditing costs for districts spending over \$500,000 of federal funds to be classified as an indirect cost.

Salaries and expenses related to the direction and supervision of such functions as instruction, guidance, attendance, transportation, community services, and student services are not indirect costs. The cost of these functions are direct costs. For example, the business manager, accounting manager, and accounting section are included as administrative indirect costs, but the director of transportation would be classified as a direct cost. Expenditures identified as indirect costs cannot also be classified as direct costs.

Fixed charges are exclusively identified as:

- a. TRS/PERS Employee retirement
- b. Social Security
- c. Unemployment
- d. Workers' Compensation
- e. Property, employee, health, and liability insurance
- f. All similar costs normally considered to be employee fringe benefits.

Under federal regulations, fixed charges are classified as indirect costs if associated with salaries included as indirect costs. Fixed charges are direct costs if associated with salaries which are direct costs. Regulations also provide fixed charges include property, liability, and employee insurance.

No other items of expenditure are to be classified as indirect fixed charges. For indirect cost rate purposes, the employee benefit expenditures reported in the Retirement Fund (14) are distributed by OPI to each program and function based upon each program and function's pro-rated share of salary expense for all funds. Undistributed employee benefits in other funds are distributed to each program and function based upon each program and function's pro-rated share of salary expense for that particular fund.

Costs of Operation and Maintenance (O&M) of Plant

School districts may also include the small percentage of building operations and maintenance costs that pertains to indirect functions such as payroll, accounting, etc. The U.S Department of Education requires the school district to conduct a study or other measured basis such as square feet occupied by indirect functions as it relates to the total square feet of space used by the school district. For example, if the business office occupies 100 square feet out of 20,000 total square feet and O&M costs are \$25,000 per year, the school district can reclassify .5% (.005) of \$25,000 or \$125 per year from direct costs to indirect costs.

Termination Pay

Federal grants may not be charged directly for termination or severance (retirement bonus) pay. As provided in OMB Circular A-87, termination or severance pay is an allowable cost if it is allocated as a general administrative expense to all activities of the governmental unit. The U.S. Department of Education prefers termination pay be paid from non-federal funds and included as part of the indirect cost rate calculation. Accordingly, termination or severance pay may be paid from the general, school food, impact aid, compensated absences (non-teaching staff only) or other appropriate non-federal fund and be included in the indirect cost rate calculation. See Page 7 for Instructions to Calculate an Adjusted Rate.

2. Direct Costs

Direct costs are incurred specifically for one activity and can be identified specifically with that activity. These costs may be charged directly to grants, contracts, or to other programs. OMB Circular A-87 requires the school district to keep time and effort records to support salary expenditures charged directly to federal grants. Expenditures charged direct cannot also be classified as indirect costs.

INSTRUCTIONS - CERTIFICATION AND REQUEST FOR AUTHORIZED INDIRECT COST RATE-continued

DEFINITIONS-continued

3. Unallowed Costs

Costs of general government are classified as unallowable (meaning federal funds cannot be used for these purposes) by OMB Circular A-87, however, these costs are included in the rate computation. The school board, superintendent, the superintendent's secretary, and expenses related directly to the operation of the superintendent's immediate offices, specifically cannot be classified as indirect costs and are considered, for rate computation purposes, to be unallowed costs. (See exception on below for district with less than 2600 students.) Salaries and benefits for an individual principal, a principal's secretary, and the expenses related to the operation of these immediate offices are not indirect costs but are considered to be direct costs. General government costs are combined with direct costs to make up the base (denominator) in the rate computation.

Costs of Superintendent's Office – Districts With Less Than 2600 students

The U. S. Department of Education allows small districts with less than 2600 students to include a portion of the cost of the superintendent's office as an indirect cost. The U.S. Department of Education policy is to request the Superintendent keep a time sheet the last week of the old quarter and the first week of the new quarter to estimate the percentage of time spent on indirect activities. (See page 9 for a suggested time sheet for this purpose.) Once the percentage is determined and signed by the School Board Chairman, the district may apply this percentage to the cost of the Superintendent's office and reclassify this amount from direct costs to indirect costs. This percentage may not exceed 30% of the total costs of the Superintendent's office. The cost of the superintendent's office may include the superintendent's secretary, an assistant superintendent who manages federal grants, and the assistant superintendent's secretary.

4. Excluded Costs

Other cost items also classified by OMB Circular A-87 as unallowable are excluded from the computation of the indirect cost rate. Excluded costs include capital outlay, debt service and interest, and other expenditures, such as contributions and donations, bad debts, contingencies, entertainment, fines and penalties, judgements, fund raising, investment counseling for non-federal funds, losses on property, lobbying, operating transfers, and residual equity transfers.

5. Base The Base (denominator) in the rate computation includes direct costs and unallowed costs.

6. Restricted Indirect Cost Rate

A restricted indirect cost rate is required when Federal grants contain a "supplement but not supplant" provision. This means federal funds must be used in addition to state and local funding. Federal funds are intended to supplement, but in no way replace, local funds. Most of the Federal grants the school district obtains through the Office of Public Instruction are of the "restricted" type.

A restricted indirect cost rate includes only allowable indirect costs for general administration and related fixed charges. These costs make up the numerator. The base or denominator include direct and unallowable general government costs.

INSTRUCTIONS - CERTIFICATION AND REQUEST FOR AUTHORIZED INDIRECT COST RATE-continued

FINANCIAL REPORTS AND RECORDS REQUIRED TO COMPLETE INDIRECT COST PROPOSAL – continued

1. The annual TRUSTEES' FINANCIAL SUMMARY - Statement of Revenues, Expenditures and Changes in Fund Balance.
2. Other financial records or reports necessary to document the classification of certain expenditures classified as indirect or excluded costs. (See AUDIT REQUIREMENTS.)
3. Schedule A - Restricted Fixed Indirect Cost Rate with Carry Forward Worksheet:
Column A Total expenditures are determined by summing the general fund and special revenue funds (fund numbered less than 50) excluding object 910 operating transfers and 971 residual equity transfers. Employee benefit expenditures reported in the Retirement Fund (14) are distributed by OPI to each program and function based upon each program and function's pro-rated share of salary expense for all funds. Undistributed employee benefits in other funds are distributed to each program and function based upon each program and function's pro-rated share of salary expense for that particular fund. The debt service, capital projects, trust, enterprise, and internal service funds are also excluded. Columns B,C,D,E, and F must total to column A.

| | |
|--------------|--|
| Column B | Direct and Unallowable Costs include all expenditures in the general and special revenue funds (funds numbered less than 50) except for capital outlay, debt service, and functions 25XX Business Services and 28XX Central Services. |
| Column C | Indirect Costs include all expenditures in functions 25XX Business Services and 28XX Central Services except for capital outlay and debt service for the General (01), Retirement (14), Miscellaneous Programs (15) for programs coded to '1XX' or '271', Metal Mine Tax Reserve (24), State Mining Impact (25), Impact Aid (26), Technology (28), and Flexibility (29) funds. |
| Column D,E,F | Excluded Costs include all expenditures in the general and special revenue funds (funds numbered less than 50) for function code 4XXX Facilities Acquisition and 5XXX Debt Service and object codes 7XX Capital Outlay and Equipment, and 840 Principal, 850 Interest, and 860 Agent Fees. |

School districts may request to use the preliminary indirect cost rate calculated on Schedule A or submit an adjusted rate after reclassifying expenditures as discussed on page 7.

AUDIT REQUIREMENTS

1. General Requirements

The classification of expenditures must be in conformance with the Montana School Accounting Manual. Failure to comply with the classification of expenditures as required may result in Single Audit questioned costs related to indirect cost recovery. In addition, Schedule A must reconcile in total with the District's Trustees' Financial Summary for the appropriate fiscal year.

2. Additional Documentation - Indirect Costs

Detailed records are required to support any indirect costs attributed to function 23XX General Administration, 25XX Business Services, and 28XX Central Services. These records should include a justification or explanation as to why a cost has been classified as indirect. Indirect costs are usually only found in the General (01), Retirement (14), Metal Mine Tax Reserve (24), State Mining Impact (25), Impact Aid (26), Technology (28), and Flexibility (29) funds or an indirect cost pool established in the Indirect Cost Recovery (Aggregate of Reimbursements/Program "1XX" or "271") project in Miscellaneous Program Fund (15). Costs to consider classifying as indirect costs rather than as direct costs include: auditing if spending more than \$500,000 in federal funds, accounting, budgeting, payroll, personnel management, purchasing, employee relations, labor negotiation contracts, termination or severance pay, mailrooms, word processing pools, computer networks, or data processing operations. Once a cost item has been classified as indirect, it should be classified consistently from year to year as indirect. Costs which are charged directly to a particular program may not be classified as indirect. For example, if the business manager's salary is allocated to the general, transportation, or other funds, only the general fund portion may be considered indirect since the remaining salary has been directly charged to other programs. Costs classified as indirect should be supported by worksheets and retained for audit. Inadequate documentation may result in an audit finding requiring repayment of indirect costs incorrectly recovered by a school district.

3. Additional Documentation - Excluded Costs

Schedules or other records should be maintained that document the reporting of all expenditures classified as excluded costs. Excluded costs include capital outlay, debt service and interest, and other expenditures, such as contributions and donations, bad debts, contingencies, entertainment, fines and penalties, judgements, operating transfers, and residual equity transfers. Inadequate documentation may result in an audit finding requiring repayment of indirect costs incorrectly recovered by a school district.

INSTRUCTIONS - CERTIFICATION AND REQUEST FOR AUTHORIZED INDIRECT COST RATE-continued

LIMITATIONS ON THE RECOVERY OF INDIRECT COSTS

Three major limitations affect how much indirect cost may be recovered:

1. The rate negotiated with the Office of Public Instruction is the maximum allowable indirect cost for any federal program in which the school district participates. Federal law or grant conditions may further limit the amount of indirect costs or the indirect cost rate. For example, if the LEA has a restricted rate of 5 percent and the law allows only a 3 percent rate of recovery for that program, then the LEA can recover only indirect costs equal to 3 percent of the direct costs. Some grants may prohibit any recovery of indirect costs.
2. Recovery of indirect costs on grants is subject to the availability of funds. Most restricted grants are allocated to the State as a block grant in which each LEA is entitled to a maximum grant amount. The total direct costs plus indirect costs cannot exceed the maximum entitlement.
3. Indirect costs are recovered only to the extent of direct costs incurred. The **indirect cost rate is applied to the direct cost amount expended less capital outlay and subgrants**, not to the grant award.

PERIOD FOR WHICH RATES ARE APPLICABLE

An indirect cost rate certification approved by the Office of Public Instruction is applied for one year. The rate is valid from July 1 through June 30 of the applicable fiscal year of approval or the term of the grant award. To recover indirect costs, the LEA applies the indirect cost rate in effect for a given fiscal year or the term of the grant award to the direct expenditures less capital outlay during that fiscal year or the term of the grant award.

APPLICATION OF RATE

Once the proposal has been approved by the Office of Public Instruction, the district may elect to:

- 1. Apply the approved and applicable rate to all eligible federal projects.
- 2. Apply the approved and applicable rate only to specific eligible projects; OR
- 3. Not apply the rate to any projects.
- 4. Apply the maximum rate or less than the maximum rate. If the rate applied is less than the maximum rate, it is not necessary to apply the reduced rate uniformly to all projects.

Budgeting: The following formula should be used to determine the amount that could be budgeted as indirect cost reimbursement.

Budgeting Indirect Cost Reimbursement:
$$\frac{\text{Indirect Cost Rate \%}}{(1.00 + \text{Indirect Cost Rate \%})} \times (\text{Total Award less Capital Outlay and Subgrants})$$

Actual Application:

Example: If total direct expenditures less capital outlay and subgrants are \$10,000 and the indirect cost rate approved by OPI is 3%, a school district could take "indirects" up to \$300. As provided by Section 20-9-507, MCA, this amount is "transferred" from the grant to the "Indirect Cost Recovery" (Aggregate of Reimbursements) project in the Miscellaneous Programs Fund (15).

USES OF INDIRECT COST RECOVERIES – NO RESTRICTIONS

Section 20-9-507, MCA, provides indirect cost reimbursements be spent at the discretion of the trustees. Accordingly, the school district should adopt an expenditure policy to spend indirect cost reimbursements. Indirect cost reimbursements are normally used for general administrative expenses and are not usually accumulated year to year without purpose.

RATE APPLIES ONLY ON EXPENDITURES AFTER APPROVAL DATE

An indirect cost rate approved during the middle of a grant period may only be applied to grant expenditures made after the approval date. The rate may not be applied retroactively.

SUBMITTING THE INDIRECT COST PROPOSAL

Submit a signed Certification form and a copy of Schedule A if an adjusted rate has been requested by May 31st. Include worksheets, schedules, and other supporting documentation which would expedite the approval of the proposal. The completed application should be mailed to: School Accounting and Budgeting Division, Office of Public Instruction, PO Box 202501, Helena, Montana 59620-2501

Schedule A - Restricted Fixed Indirect Cost Rate With Carry Forward Adjustment For FY2005-06 Using FY04 Expenditures

**01 Beaverhead
0005 Dillon Elem**

| Expenditure Function | Total Expenditures (A) | Direct and Unallowable Costs (B) | Indirect Costs (C) | Excluded Costs | | |
|--|---|--|--------------------------|--------------------------|--------------------------|--------------|
| | | | | Capital Outlay (D) | Debt Financing (E) | Other (F) |
| 1XXX Instruction | 3,383,961.69 | 3,329,071.55 | 0.00 | 54,890.14 | 0.00 | 0.00 |
| 21XX Support Services - Students | 57,652.89 | 57,652.89 | 0.00 | 0.00 | 0.00 | 0.00 |
| 221X Improvement of Instruction Services | 133,963.54 | 133,963.54 | 0.00 | 0.00 | 0.00 | 0.00 |
| 222X Educational Media Services | 140,525.12 | 140,525.12 | 0.00 | 0.00 | 0.00 | 0.00 |
| 23XX Support Services - General Administration | 98,633.31 | 98,633.31 | 0.00 | 0.00 | 0.00 | 0.00 |
| 24XX Support Services - School Administration | 249,143.73 | 249,143.73 | 0.00 | 0.00 | 0.00 | 0.00 |
| 25XX Support Services - Business | 112,740.31 | 0.00 | 112,740.31 | 0.00 | 0.00 | 0.00 |
| 26XX Operation and Maintenance of Plant Services | 415,205.06 | 407,811.58 | 0.00 | 7,393.48 | 0.00 | 0.00 |
| 27XX Student Transportation Services | 64,191.86 | 64,191.86 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31XX Food Services | 221,616.89 | 221,616.89 | 0.00 | 0.00 | 0.00 | 0.00 |
| 62XX Resources Transferred to Other School Districts or | 8,526.00 | 8,526.00 | XXXXXXXXXX | 0.00 | 0.00 | 0.00 |
| Totals | 4,886,160.40 | 4,711,136.47 | 112,740.31 | 62,283.62 | 0.00 | 0.00 |
| Direct Costs Reclassified Indirect Costs | XXXXXXXXXX | | | XXXXXXXXXX | XXXXXXXXXX | XXXX |
| Direct or Indirect Costs Reclassified as Excluded | XXXXXXXXXX | | | | | |
| Adjusted Totals | 4,886,160.40 | | | | | |
| Line A | Preliminary Indirect Cost Rate [C divided by B] 112,740.31/4,711,136.47 | | 2.39% | | | |
| Line B | Requested Indirect Cost Rate [Adjusted C divided by Adjusted B] | | % | | | |
| Line C | Carry Forward Adjustment: | | | | | |
| | C1 Enter greater of line A or B | | % | | | |
| | C2 Enter FY04 rate (2.31%) or 0.00% if no FY04 rate | | % | | | |
| | Subtract C2 from C1 | | % | | | |
| Line D | Final Rate After Carry Forward Adjustment | | | | | |
| | Line A or B plus/minus Line C | | | | | |
| | If Line D is negative, enter -0-. | | % | | | |

See Example on Page 6 of Instructions.

Total expenditures include the general and special revenue funds (funds numbered less than 50) and exclude residual equity and operating transfers. Only costs in Funds 01, 14, 24, 25, 26, and the indirect cost recovery project may be reclassified as indirect costs. Functions blocked with X's may not be reclassified as indirect costs, except for termination and severance pay. A detailed listing of accounts is available upon request. Call Jim Oberembt at 444-1257.

INSTRUCTIONS - CERTIFICATION AND REQUEST FOR AUTHORIZED INDIRECT COST RATE-continued

INSTRUCTIONS TO CALCULATE AN ADJUSTED RATE:

Direct Costs Reclassified as Indirect Costs:

The preliminary rate calculated from the district's FY03 Trustees' Financial Summary classifies all costs accounted for in function 23XX and the Miscellaneous Program Fund (15) as direct. If the district is, in fact, accounting for some of these costs as indirect costs, they should be reclassified on the form from column (B) to column (C). Review expenditures in function code 23XX General Administration for the General (01), Retirement (14), Metal Mine Tax Reserve (24), State Mining Impact (25), Impact Aid (26), Technology (28), and Flexibility (29) funds to determine if any of the following costs currently classified as direct costs should be classified as indirect costs: auditing if spending more than \$500,000 in federal funds, accounting, budgeting, payroll, personnel management, purchasing, employee relations, labor negotiation contracts, termination or severance pay, mailrooms, word processing pools, computer networks, or data processing operations. If the school district has established an indirect cost pool in the "Indirect Cost Recovery" (Aggregate of Reimbursements/Program "1XX" or "271") project in the Miscellaneous Fund (15), these costs (function 23XX, 25XX, or 28XX) may also be reclassified from column (B) direct costs to column (C) indirect costs.

If any of the above costs will be reclassified as indirect costs or coding corrections are necessary, prepare a worksheet or schedule supporting the reclassification and retain the worksheet for audit. It is important to point out costs should be classified consistently from year to year. Also, if any of the above cost items are currently charged directly to federal grants, these costs may not be reclassified as indirect. For example, if a pro-rated share of the cost of an A-133 audit is currently charged directly to a federal grant, the cost may not be reclassified as indirect.

Salary and expenses related to school board operations or the superintendent's office are considered unallowable costs but are included in the base with direct costs. Accordingly, these costs MAY NOT be reclassified as indirect costs.

Enter the amount of allowable indirect costs to be reclassified from direct costs to indirect costs as a negative amount in the box provided in column B. Enter the same amount as a positive amount in the box provided in column C.

Direct or Indirect Costs Reclassified as Excluded Costs:

Review expenditures in any function code for the general and special revenue funds (funds numbered less than 50) for costs which should be excluded from the rate computation. Prepare a worksheet or schedule listing excluded costs. Such cost include expenses for capital outlay, debt service and interest, and other expenditures, such as contributions and donations, bad debts, contingencies, entertainment, fines and penalties, judgements, operating transfers, and residual equity transfers. Retain the worksheet or schedule for audit.

Enter the amount of excluded costs to be reclassified from direct or indirect categories as a negative amount in the box provided in column B or column C. Enter an equal amount as a positive amount in the boxes provided in columns D, E, or F as appropriate.

Calculating the Adjusted Rate:

Calculate adjusted column totals. The totals in Columns B,C,D,E, and F must equal the total in Column A. Calculate the adjusted rate by dividing the adjusted total of column C by the adjusted total of column B and enter it in the box provided. Enter this rate on the certification form if it differs from the original "preliminary indirect cost rate" provided by OPI.

Submitting the Indirect Cost Proposal:

Submit a signed Certification form and a copy of Schedule A if an adjusted rate has been requested by May 31st. Include worksheets, schedules, and other supporting documentation which might expedite the approval of the proposal. The completed application should be mailed to: School Accounting and Budgeting Division, Office of Public Instruction, PO Box 202501, Helena, Montana 59620-2501.

INSTRUCTIONS - CERTIFICATION AND REQUEST FOR AUTHORIZED INDIRECT COST RATE-continued

RECORDING INDIRECT COST RECOVERIES

Example: Assume the Title I grant award is \$100,000. You have budgeted \$90,000 salaries and benefits, \$2,233 of operating expenses, and \$5,000 of equipment. The IDC rate is 3.00%. That means you budget $[(3\%/103\%) \times (100,000-5000)] = \2766.99 as IDC recoveries. The project reporter code used here is 123, but you could assign any three digit number other (than the 900's) that you choose.

1. Receive the grant revenue in as usual. The indirect cost recoveries are included in the amount. OPI does not split the payment out for indirects.

Fund 15

| | | |
|---------|---------------------|-----------|
| Debit: | 101 Cash | \$100,000 |
| Credit: | 402 Revenue Control | \$100,000 |

Revenue Subsidiary Ledger

| | | | |
|---------|----------|---|-----------|
| Credit: | 4200-123 | (Use whatever grant revenue code applies) | \$100,000 |
|---------|----------|---|-----------|

2. Pay normal program expenditures: (assume only \$91,000 of award was spent)

Fund 15

| | | | |
|---------|-----|------------------------------|----------|
| Debit: | 802 | Expenditures Control | \$91,000 |
| Credit: | 101 | Cash or 601 Warrants Payable | \$91,000 |

Expenditure Subsidiary Ledger

| | | | |
|--------|----------------------|--------------------------------|----------|
| Debit: | X15-420-1XXX-XXX-123 | Use exp. coding as appropriate | \$86,000 |
| Debit: | X15-420-1XXX-7XX-123 | Equipment | \$ 5,000 |

3. When expenditures have been made, transfer the indirect cost recoveries out of the project into the indirect cost project in fund 15. REMEMBER: The IDC rate can only be applied to actual expenditures less equipment expenditures and subgrants. In this example, that would be $\$86,000 \times .03 = \$2,580$.

Fund 15

| | | | |
|---------|-----|---------------------|---------|
| Debit: | 802 | Expenditure Control | \$2,580 |
| Credit: | 402 | Revenue Control | \$2,580 |

Subsidiary accounts

Expenditures:

| | | | |
|--------|-------------------------------|------------------------|---------|
| Debit: | X15-420- 62XX-940 -123 | Indirect Cost Recovery | \$2,580 |
|--------|-------------------------------|------------------------|---------|

Revenues:

| | | | |
|---------|-----------------------|-----------------------|---------|
| Credit: | X15- 4930 -222 | Indirect Cost Revenue | \$2,580 |
|---------|-----------------------|-----------------------|---------|

This transaction records indirect cost recovery taken as an expenditure in the grant project and as revenue in the Indirect Cost Recovery project. Notice a unique project reporter code is used for the indirect cost recovery "pool." Used appropriately, this money is intended to pay for costs of administration and operations which cannot be reasonably allocated directly to one particular program or grant (i.e., indirect costs). However, there is no specific legal restriction addressing what it can be used for.

4. In this example, \$6420 ($\$100,000 - \$91,000 - \$2,580 = \$6,420$) was not spent and would have to be refunded to OPI.

5. Reminder: IDC recoveries are not required. Claiming IDC recoveries reduces the amount available for direct expenditures on the grant.

INSTRUCTIONS – CERTIFICATION AND REQUEST FOR AUTHORIZED INDIRECT COST RATE – continued

Worksheet to Calculate Percentage of Superintendent time according to performance of Direct and Indirect Functions

Last Week of Quarter (Month/Day/Yr)_____ through First Week of Quarter (Month/Day/Yr) _____

| Direct Activities: | Hours Day 1 | Hours Day 2 | Hours Day 3 | Hours Day 4 | Hours Day 5 | Hours Day 6 | Hours Day 7 | Hours Day 8 | Hours Day 9 | Hours Day 10 | Total Hours |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|----------------|
| 1. General Administration | | | | | | | | | | | |
| 2. Direct Instruction | | | | | | | | | | | |
| 3. Instructional Support | | | | | | | | | | | |
| 4. Pupil Related Services Hlth, Trans, Lunch, | | | | | | | | | | | |
| 5. Oper & Main of Plant | | | | | | | | | | | |
| 6. Community Service | | | | | | | | | | | |
| 7. Other: | | | | | | | | | | | |
| | | | | | | | | | | | |
| Total Hours-Direct Activity | | | | | | | | | | | |
| | | | | | | | | | | | |
| Indirect Activities: | | | | | | | | | | | |
| 8. Payroll | | | | | | | | | | | |
| 9. Purchasing | | | | | | | | | | | |
| 10. Inventory | | | | | | | | | | | |
| 11. Accounting | | | | | | | | | | | |
| 12. Financial Reports | | | | | | | | | | | |
| 13. Personnel Relations | | | | | | | | | | | |
| 14. Other | | | | | | | | | | | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| Total Hours-Indirect Activity | | | | | | | | | | | |
| | | | | | | | | | | | |
| Grand Total Hours | | | | | | | | | | | |
| | | | | | | | | | | | |
| Indirect Hours divided by Grand Total Hours = % of Time Spent on Indirect Act | | | | | | | | | | A | % |
| | | | | | | | | | | | |
| Cost of Supt Office | | | | | | | | | | B | |
| | | | | | | | | | | | |
| A X B = C Amount to Reclassify as Indirect on Schedule A (Cannot exceed 30% of the Cost of Supt Office shown in B) | | | | | | | | | | C | |

Signature of School Superintendent

Date

I certify the above information related to the Superintendent's time is true and correct to the best of my understanding and is based on first hand knowledge of time spent as reported.

Signature of School Board Chairman

Date